

[Form of letter of intent for non-wind project]

[Date], 2001

Mr. David Freeman
Chairman
California Consumer Power
and Conservation Financing Authority
Sacramento, California

Subject: [DEVELOPER NAME] and California Consumer Power and Conservation
Financing Authority Letter of Intent

Dear Mr. Freeman:

This Letter of Intent reflects the intention of [DEVELOPER NAME] ("Developer") and California Consumer Power and Conservation Financing Authority (the "Authority") to proceed to negotiate in good faith a definitive agreement for the sale by the Developer and the purchase by the Authority of the Facility described in the attachments hereto on the basis of the terms and conditions set forth therein. This Letter of Intent is not binding on either party and is subject in all cases to the development of a final, definitive agreement between the parties to purchase the Facility. This Letter of Intent shall expire [DATE].

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed and delivered this letter agreement as of [MONTH][DAY], 2001.

DEVELOPER

By: _____
Developer
Title: _____
Date: _____

ACCEPTED AND AGREED on
[MONTH][DAY], 2001

**CALIFORNIA CONSUMER POWER AND CONSERVATION FINANCING
AUTHORITY**

By: _____
Name
Title: _____
Date: _____

ATTACHMENT A

The following is a non-binding summary of certain terms and conditions for the definitive Agreement.

Parties	California Consumer Power and Conservation Financing Authority ("Authority") and Developer ("Developer").
Description of Generating Plant and Ancillary Facilities (the "Facility")	Developer is developing [X] MW facility consisting of [EQUIPMENT TYPE] located at [SITE NAME AND ADDRESS]. Ancillary facilities include [DESCRIBE]. The equipment will include [DESCRIPTION] of emission controls that will limit NOx emissions to [XX] PPM and [XX] tons per year.
Contract Price:	<p>\$_____(\$____/kW).</p> <p>The Contract Price shall include all Developer costs, including development and other fees and construction period borrowing costs.</p>
Bonus	Developer shall be entitled to a bonus equal to 5% of the actual construction costs if the Facility is completed by June 1, 2002.
Penalty	Developer shall pay a penalty equal to 5% of the actual construction costs if the Facility is not completed by August 1, 2002.
Real Property	[Lease/Lease Term][Fee Purchase]
Facility Commercial Operation Date	[DATE]
Guaranteed Capacity	[NUMBER] kilowatts, net at assumed average annual ambient conditions
Guaranteed Heat Rate	[NUMBER] Btu/kWh, net, HHV
Emissions	Developer is responsible to obtain plant permits and any emission offsets necessary to operate the Facility for up to [NUMBER] hours per year at maximum plant capacity.

ATTACHMENT B

The following is a non-binding summary of the expected scope of work to be incorporated as part of the terms and provisions of a definitive agreement which should be taken into account by Developer in establishing the Contract Price set forth in Attachment A .

Overview

The Authority is seeking to purchase peaking and renewable generating facilities on a turnkey basis. The Authority will provide for the development, construction and purchase of the Facility pursuant to a lease with an option to purchase (the "Agreement"). The Authority will pay 100% of the Contract Price of such Facility from the proceeds of bonds issued by the Authority upon the Facility satisfying certain acceptance tests.

Related agreements will include a management agreement between the Authority and the Developer. Other agreements may include fuel management and other agreements. The Authority reserves the right to structure the Agreement as a design, build and operate agreement.

The Authority reserves the right to select and/or prioritize the selection of facilities based on the Authority's evaluation of statewide peaking/reserve needs. Emphasis will be placed on peaking units in northern California.

It is the Authority's expectation to finance acquisition costs with tax-exempt bonds. Accordingly, the Authority will be the owner of the Facility for Federal income tax purposes. All contracts and agreements must comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, and related regulations, pertaining to tax-exempt debt, including the provisions of Rev. Proc. 97-13 as the same pertains to management contracts.

Recourse against the Authority under the Agreement will be limited solely to a debt service component of payments payable with respect to the Facility pursuant to a power purchase agreement with Department of Water Resources for the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System (in such capacity, "DWR"). The Agreement shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof, other than the Authority, or a pledge of the faith and credit of the State or of any political subdivision, but shall be payable solely from the funds provided therefor in the Agreement. The entering into the Agreement or the issuance of bonds by the Authority with respect to the Facility shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

DWR's obligation to make payments under a power purchase agreement with the Authority shall be limited solely to the DWR Electric Power Fund. Any liability of DWR arising in connection with such power purchase agreement or any claim based thereon or with respect thereto, and any other payment obligation or liability of or judgment against DWR thereunder, shall be satisfied solely from such Fund. Neither the full faith and credit nor the taxing power of the State of

California are or may be pledged for any payment under any such power purchase agreement. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising under any such power purchase agreement.

In the event the Authority is unable to issue bonds or use other available funds to purchase the Facility upon satisfaction of the acceptance tests, the Authority would continue to lease the facility pursuant to the Agreement for the useful life of the Facility at a rental rate sufficient to amortize Developer's borrowing/equity costs. Upon completion of amortization, title to the Facility would pass to the Authority. The Authority's rights to receive the debt service component of payments under a power purchase agreement with DWR with respect to power sold to DWR from the Facility would be assigned to the Developer as security for the payment of lease rentals under the Agreement. The Authority would have the ability to purchase the Facility at any time after the commercial operation date for the amount of Developer's debt/equity for the Facility plus any accrued interest.

The Authority reserves the right to propose alternative structures and payment sources for the Agreement.

Development Scope of Work

- Obtain site lease or purchase option including potential construction laydown and parking areas.
- Obtain necessary rights of way and easements for site access and for interconnections up to utility scope.
- Perform all necessary engineering for feasibility study, permitting and financing purposes.
- Perform geo-technical and Environmental Phase I and Phase II studies.
- Prepare, submit, support successful receipt of all environmental permits including CEQA (CEC or other jurisdiction).
- Prepare, submit, support successful receipt of all CAISO metering and other agreements.
- Prepare, submit, support successful receipt of all electric, gas, water/wastewater interconnection agreements.
- Obtain preliminary commitments from fuel suppliers including terms, conditions, index pricing and other features.
- Prepare detailed Project Description.
- Obtain preliminary commitments from major equipment suppliers including performance guarantees, schedule, cost and long term service.

Construction Scope of Work

- Arrange construction financing.
- Diligently perform all engineering, design, construction, testing and startup of the plant, including interconnection to all points of interconnection, all in accordance with Accepted Electrical Practices, the Project Description, all project agreements, permits and the project schedule, providing Authority with a complete Facility on or before the scheduled substantial completion date.
- Perform detailed design of the Facility consistent with the Project Description, including design review and comment by Authority on design.
- Design the Facility to meet site seismic conditions.
- Provide for fee ownership of the site or a site lease for the useful life of the Facility.
- Procure all necessary equipment, supplies and services necessary to complete the project consistent with preferred suppliers list, the Project Description and the project schedule.
- Provide water supply and other required utilities to the Facility.
- Provide gas and transmission interconnections and coordinate design and construction of plant interconnections with those of the interconnecting utilities, and obtain approval from these utilities where necessary.
- Coordinate design and construction with federal, state and local regulatory agencies as required in the permits.
- Obtain all construction related permits including access, transportation, building permits, etc.
- Assure permit limits, water, gas and electric capabilities must support dispatch under Authority's agreement with DWR.
- Construct the Facility, including hiring of labor and subcontractors, performing construction management, scheduling, equipment receipt, installation, startup and testing per the Project Description and the project schedule.
- Establish procedures for Authority design review and supervision and review during construction period.
- Comply with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code in constructing the Facility.

Exhibits

- Project Description
- ◆ Description
 - Site information, location/routing/length of interconnects
 - Fuel Supply
- ◆ Performance Requirements
 - Guaranteed Cycle Performance
 - Availability
- ◆ Environmental Performance Requirements
 - Air Emissions
 - Water Intake/Discharge
 - Noise
- ◆ Operation and Maintenance Requirements
- ◆ Plant System Design Description
- ◆ Scope of Work
 - Responsibilities of Contractor
 - Responsibilities of the Authority
- ◆ Design Criteria
- ◆ Preferred Suppliers
- ◆ Detailed Requirements
 - Civil and Structural Systems
 - Mechanical Systems
 - Electrical and Control Systems
- ◆ Major Equipment Specifications
- ◆ Construction Specifications
- ◆ Quality Assurance Requirements
- ◆ Plant Startup, Acceptance and Guarantees
- ◆ Attachments
 - Terminal points
 - Fuel gas analysis
 - Raw water supply analysis
 - Geotechnical Investigation Report
 - Phase I and II Environmental Studies

▪ Preferred Suppliers List

- Environmental Permits
- ◆ CEC Certification
- ◆ Air Quality Authority to Construct or Determination of Compliance
- ◆ County/City Conditional Use Permit
- ◆ Industrial Wastewater Discharge or NPDES Permit
- ◆ Stormwater NPDES discharge permit
- ◆ Federal Title IV Acid Rain Permit
- ◆ Federal Title V Operating Permit
- ◆ Federal Fuel Use Act Certification
- ◆ Ground Water Rights Certification
- ◆ Oil Spill Contingency and Prevention/Response Plan
- Electrical Interconnection Agreement
- Gas Interconnection Agreement
- Water/Wastewater Interconnection Agreement
- Jobsite Legal Description
- Exclusions from Developer's Scope
- Construction Schedule
- Performance Tests, Guarantees and Liquidated Damages
- Insurance Requirements
- Letter of Credit Requirements
- Developer Form of Parent Guaranty

